

P A L M Y R A

A STUDY OF THE TRAFFIC AND SPENDING POTENTIAL

BY: W. R. FARIS

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REFERENCES

1. HVB - Annual Research Report - 1960
2. HVB - Tourism by Island - 1958
3. HVB - Convention Bulletins
4. Sample Package Tour Brochures
5. Information Brochure

P A L M Y R A

TRAFFIC AND SPENDING PROSPECTS - RESULTS

BY: W. R. FARIS

THE GOAL AND REASONS FOR IT

The goal is to create a destination resort community with diversified activities which will attract a large volume of visitors to the resort hotel complex.

The community activities and the resort hotel are complementary and strengthen each other. A large daily census is necessary to support the community activities. Diversified community activities are necessary to provide entertainment and satisfaction for the visitor. (See Reference 2, p. 31, 32, 33, 35, 36, 40, 41, 43, 44, 50, 51.)

Palmyra does not have the arable land area nor the natural resources to support a strictly resident, non-resort community. However, it does have the natural resources to support many diversified activities as an adjunct to resort visitor entertainment and spending. Some of these are: handi-craft articles produced by Polynesian natives, sport fishing, boating, scenic photography. Other activities become feasible because of the existence of transportation and living means, or spending, created by visitor traffic. Some of these are: commercial fishing, copra production, "free port" shopping, research projects, movie production. There are many other activities that will occur by gravitation towards a pleasant, clean, interesting community. Some of these are associated with retired or semi-retired resident living, visits from cruising yachts, writers and artists colonies.

Some activities may not be directly self-supporting from one source - either visitor spending or from direct income from outside sale. Research projects may be supported by grants. Concessionaires may obtain supplementary income from commercial fishing, sale of coral, copra, etc. Products of writers and artists may be future income. To considerable extent many activities will occur and be feasible because of outside aid plus local earnings.

The greater the amount of indigenous resort community activity, the less the task of the hotel to provide entertainment for visitor satisfaction. The effort to encourage a wide variety of such activities is to be vigorously undertaken.

Although opinion survey responses preponderantly list rest and relaxation as the motivations for trips to resort areas, satisfaction is greatest when there are diversified activities that can be leisurely engaged in. (See Reference 2, p. 23.) Visitors to Palmyra will have a large choice of these (See also Reference 5) such as:

A wealth of scenic photography
 Water skiing and lagoon boating
 Both lagoon fishing and more active deep sea fishing
 Collecting sea shells
 Examining the botanical forests
 Observing the unique bird life
 Underwater diving or glass bottom boat excursions
 Leisurely walks or drives with pleasant park site rest havens
 Excellent beaches and swimming
 Guided cultural tours to observe Polynesian village life
 Observing water front activity
 Observing marine research and static marine displays
 Library collections of South Pacific history and culture
 Tennis, golf, croquet

Supplementing these will be unique entertainment features such as:

Authentic Polynesian village feasts
 Beach picnics with demonstrations of native style fishing, etc.
 Educational lectures on subjects of the environment
 Chapel
 Movies
 Free Port shopping for specialty Pacific Rim products

It can readily be seen that much of the above activity can be engaged in on an unplanned basis, or with minimum organization. The hotel(s) and club(s) will further supplement the entertainment program with dining facilities having decor utilizing the unique natural facilities, perhaps a floating "pirate ship", or lanai dining by the lagoon side.

Dancing, Polynesian entertainers, imported entertainers, card rooms, craft demonstrations, etc. will also help to fulfill the days and nights with pleasure.

The greater the amount of activities, the greater the success for the hotel(s) in offering good accommodations at reasonable prices, the greater salability of the resort, and the greater the volume of repeat business. (See Reference 2, p. 12, 13, 14.)

II

WHERE THE VISITORS WILL COME FROM AND WHY

The lure of Polynesia is very great for the American tourist. (See Reference 1, p. 23.) The American tourist has for years been strongly promoted to visit Hawaii, and lately, Tahiti and Samoa. The Hawaii Visitors Bureau has achieved a considerable steady growth in visitor traffic to Hawaii. In the past two years, the Pacific Area Travel Association has added a much expanded impact to promotion of travel to the Pacific and, of course, the nearest area to the North American mainland is Polynesia. Jet times are least to Polynesia. Costs are least because of the shorter distance. (See Reference 1, p. 10, 11, 40.)

Hawaii visitor traffic is looked upon as the main source of visitor traffic to Palmyra during the first few years for several reasons:

- a. Palmyra will be a "secondary" destination for first-time Hawaii visitors who through their travel agents and reports are knowledgeable about Hawaii to the extent they want to see more authentic South Seas than Hawaii has to offer, but still desire the satisfaction of seeing Hawaii. (See Reference 2, p. 13, Chart IV.)
- b. Palmyra will be a "secondary" destination for visitors who are making repeat trips to Hawaii and are seeking more of the authentic South Pacific environment than they find in a more and more commercialized Hawaii, but who have attachments or sentimental reasons for spending part of their trip in Hawaii.
- c. Palmyra's geographic and cultural location can be more readily identified with Hawaii. The proximity and attainability is easier to get across.
- d. It will probably be several seasons before the image of Palmyra emerges sufficiently as a complete destination resort through publicity and word-of-mouth from visitors.
- e. The Hawaii visitor market and travel trends are well established and can be relied upon in planning and promotion.
- f. Transportation carriers will more readily commit in advance on schedules, based on the factors above, for routings through Hawaii. These do not preclude plane-load group movements direct between the West Coast and Palmyra, but there are no carriers with the occasional long range jet capability for such movements as yet, and the direct non-stop trip is marginal for the longest range prop aircraft.

Visitors from other parts of the Pacific will probably be relatively small in numbers in comparison with the traffic from North America. Their means of reaching Palmyra will depend on connections through Hawaii. In the future, it is conceivable that international carriers from down under may make Palmyra their one-stop en route to and from the West Coast, by-passing Hawaii, but this will depend on many factors and the emergence of Palmyra as sufficiently well known as a satisfying stopover point for long distance travelers.

In the early stages, therefore, Palmyra will be looked upon principally as a side trip from Honolulu. Therefore, we can study the motivations (See Reference 2, p. 22, Chart XI.) and volume of persons taking side trips from Honolulu to the neighbor islands of Hawaii. Hawaii is vigorously promoting side trips, or entering or leaving Hawaii via a neighbor island. (See Reference 4.) The percentage of all visitors to Hawaii taking inter-island trips has consistently been 65%. (See Reference 2, p. 5, Chart A-1.) In 1960 this fell slightly. (See Reference 1, p. 7, 21.) It is reasonable to assume that with the completion of new hotel building that is taking place in large quantity on neighbor island and with the continued emphasis on neighbor island travel, the average percentage of visitors to neighbor islands will return to the 65% level it has held for 10 years. (See Reference 1, p. 11.) This illustrates the significant number of tourists who are seeking more atmosphere than a cosmopolitan city such as Honolulu has to offer.

III

HOW TO GET PEOPLE TO VISIT PALMYRA - COST

Let's first define the market:

a. Plane-load Package Tour Groups.

This type of travel is growing rapidly. There are several "Wholesale" agents in the U.S. specializing in packaging economy tours to Hawaii (and elsewhere) dealing principally with large organizations. Typical of these organizations are such as the Holiday Club of the Los Angeles Water and Power Employees Association, the Columbus Associates Club of Boston, the San Diego Municipal Employees Association, the Senior Citizens Clubs. Many of these organizations have such a large pool of membership that enough persons are on vacation in any given month from which to organize a plane-load tour.

These tours take advantage of pro-rata charter rates or economy fares plus reduced rates in hotels and other services obtained through volume bookings. Purchasers of these tours are generally from the second and third executive levels and skilled "blue collar" workers. The successful tours provide first class hotel accommodations and a good program of events. A large proportion of purchasers also are professional and elderly women. (See Reference 1, p. 39, Table 18.) Most of these people are either not travel-wise or desire group companionship in preference to traveling alone. (See Reference 2, p. 18.)

b. Plane-load sales incentive and Convention Tours.
(See Reference 1, p. 21, 24.)

This is another type of travel that is growing rapidly. There is another segment of travel agents specializing in this type of travel. These are not necessarily economy tours but are economical by virtue of the advantages of volume booking. These do not follow quite as set a pattern as "a." above.

These are popular with large firms such as General Electric, insurance businesses, RCA etc., because travel is such a rewarding incentive. This type of tour is generally packaged as a reward for meeting quotas, as pre- or post-convention offerings, or in a sense, as a reward in connection with an annual convention. Attendance on this type of tour is generally from second or third level executives, top sales representatives, or top dealers.

c. Individual Public Tours.

This is a type of tour widely packaged by many agents throughout the United States. Every chain of agencies and most large local agencies package their own tours. These are wholesaled to smaller agencies. These tours are sold to the general public. They range widely in choice of accommodations. They generally are tailored to two-week vacations.

These tours are purchased by every segment of the public. The majority of these are patronized by persons in a lower income group than "a." and "b." above. However, there are many agents dealing in high-priced exclusive tours also for wealthy sportsmen or other wealthy people who desire a more luxurious tour.

d. Individual (FIT) Tours.

These are individually tailored tours arranged for an individual or couple according to their specialized interest or because they don't care to join a group. Most of these are persons not confined to a two or three week vacation period.

e. Optional Tours.

Every resort area has numerous optional side trips or events to offer. Many of the large tours to the resort area are arranged for a minimum plan of activity in order to keep the original price to a minimum and make the tour offering the most attractive price-wise. Optional side trips and events are sometimes listed and sold at the point of origin, but generally this is not done to avoid confusing the issue. The majority of such offerings are sold by local operators to the visitor while he is in the local area. (See Reference 2, p. 49, 50.)

As such side trips, or events, create their own demand, they are added to the package. More compelling reasons for adding them to the package are (1) adding them to make a more competitive package or (2) for variety to stimulate repeat business from the same organizations.

f. Professional, Scientific, Technical.
(See Reference 1, p. 21, pp. (3).)

In this category are individuals or small groups engaged in a specialized interest which can utilize the natural resources of Palmyra. These would include such as marine biology, satellite tracking, plant biology, etc.

g. Businessmen, Tradesmen, Entertainers.

This is a category of persons who would visit Palmyra because of their business interest in an activity there.

h. Retired, Semi-retired, Families, and Friends.

The "permanent" resident population and families and friends visiting them.

The General Promotional Program (See Reference 2, p. 24.)

This is the "institutional" campaign to create the cultural, geographical, and resort image of Palmyra. One of the best ways to accomplish this goal is through association with the Pacific Area Travel Association program. Through this association the message can be directed to those agents, bureaus, etc., most interested in the Pacific. There is an opportunity once a year at the annual convention to promote each area by personal contact with the delegates. These delegates are the most significant individuals in Pacific tourism. The monthly publication of this association is one of the most effective media. Likewise, the media used by the association are those which slant their travel publicity most strongly towards the Pacific.

A heavy volume of publicity releases must accompany the advertising campaign to educate the agents, bureaus, and individuals in the tour industry with respect to Palmyra's history, geography, and its development as a resort. This should be supplemented by individual sales presentations in principal industry offices.

It is an overwhelming task to try to educate the general public. However, much can be done through feature articles in selected magazines, newspaper travel supplements, etc. Since the vast majority of the market is in the West and principally California, the first effort slanted to the public should be concentrated in those areas.

Travel promoters need to be supplied with information brochures, fact sheets, etc., to assist them in convincing groups and individuals of the merits of visiting Palmyra. There should be publicity releases and special promotional efforts for specialized interests. An active campaign of many types of promotion needs to be carried on in Honolulu where the exposure to potential Palmyra visitors is the most concentrated.

The above promotional campaigns should be conducted by a bureau set up by the developers financed by a budget allocated from lease and franchise income. The bureau should have a professional staff and an advisory council from local business interests.

IV

POTENTIAL TRAFFIC AND OCCUPANCY COMPUTATIONS

The significant characteristics of travelers to Hawaii, as far as Palmyra is concerned are:

- a. The party heads of 52% of visitors had incomes of \$10,000.00 or over.
The party heads of 32% had incomes of \$15,000.00 or over.
(See Reference 1, Table 20.)
- b. 91,090 visitors to Hawaii in 1960 were male, or 42.6%.
122,580 visitors to Hawaii in 1960 were female, or 57.4%.
- c. The median age is 45.
- d. The majority of the women are professional women or widowed with a substantial expendible income.
- e. Since for Hawaii, approximately 30% make arrangements for side trips five days to one month in advance, and an additional 39% more than one month in advance, the pre-packaging of the trip to Palmyra is important. It also is a favorable factor in controlling accommodations, logistics of food, entertainment, laundry, etc., and also is important in narrowing the sales effort.

At least one-third of the visitors to Hawaii can easily afford a side trip to Palmyra:

1960 Hawaii Visitors	296,517
One-third	98,839

Since 65% are motivated to make a side trip:

65% of 98,839	64,245
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Hawaii growth rate 20% per year:

64,245 adjusted to 1964	131,500
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Assume average length of stay at Palmyra for four days. (See Reference 2, p. 27 and below.)

4 days x 131,500 = 526,000 days ÷ 365 days = 1,435 potential visitors in residence at Palmyra per day (1964).

If annual 20% growth rate for the first five years is assumed (Hawaii's growth rate has been more than 20% for the past ten years), the average number of potential visitors per day will double in the first five years:

1964	1,435
1965	1,722
1966	2,066
1967	2,479
1968	2,974

The above computations do not take into account any traffic from persons whose head of the party makes less than \$15,000.00 per year. It also does not take into account travel by Hawaii residents. (See Reference 2, p. 29.)

The growth rates are probably ultra conservative for a new resort area if visitor satisfaction is provided as contemplated. Construction not keeping pace with growth would be a deterrent. New Caledonia, which has recently embarked on a program to develop as a destination resort and feed on French traffic to Tahiti and on surrounding resort areas, experienced a 203% growth in 1960.

For comparison and substantiation, a summary of estimates being received in a questionnaire sent to representative travel agents will be issued as a supplement in the near future.

AVERAGE LENGTH OF STAY

Average length of stay in Hawaii is 13 to 14 days.

Average length of stay in Tahiti is 14 days.

Average length of stay on Hawaii neighbor island is 3.2 days. (The majority of visitors to Palmyra are considered to be making a side trip from Honolulu, but it is contemplated their average length of stay on Palmyra will be slightly longer as explained below.)

OCCUPANCY

a. Main resort

(See Reference 2, p. 11, 12.)

Characteristics of the tourist include couples traveling together, single males and single females booked in double occupancy by sex, business associates, small family groups. Most people are gregarious in a resort climate. Most pre-packaged tours are based on double-occupancy.

The relatively few persons taking a single would suggest a relatively small percentage of single rooms to double rooms.

1. Organized group movements now offering more than one island in the package generally schedule six days on the neighbor islands out of a total two week visit to Hawaii. (See Reference 4.) Most of this

to the upper-income class of people. These people spend lavishly for local products and pay high hotel rates. Many of Hana's visitors stay several weeks at a time. Many spend the bulk of two to three week vacations at Hana, less a day or two in Honolulu, plus a day or two traveling time. Therefore, the median length of stay is at least ten days.

4200 annual visitors =

11.5 visitors per day x 10 days median stay = 115 census per day.

A comparable hotel facility at Palmyra can be achieved as part of the basic resort hotel complex, but exclusively and privately secluded. In fact, secluded grounds for two or three luxury Hana-type hotels can be achieved without sacrificing the exclusiveness and charm which makes Hana so successful.

c. THE "RETREAT VISITOR"

We now consider a class of visitors from the upper income brackets who gravitate to unique, out-of-the-way places of the world. These have bought or built estates surrounding resort areas such as at Hanalei on Kauai, in the Caribbean, Acapulco, Tahiti, Canada.

At Palmyra, the resources and appeal for such retreats are very numerous.

It is American soil, a possession with certain tax benefits. Detached islands and points of land border on safe, deep water lagoons where yachts can be moored and private marinas established. It is a Polynesian Island in the South Seas. It is readily accessible. Sites can be obtained without foreign government red tape.

Visitor length of stay for persons of this type should be an average of at least one month. Suitable sites are available to attract at least 50 such "retreats." In practically all cases each "retreat" will be populated with family groups, two or more common-interest couples, small executive groups, etc. An average of five persons per retreat is reasonable to assume. Visits to the retreats should be at least three times a year - once or twice by the owner, and once or twice by friends of the owner, during February/March, Summer, and October/November. Therefore, 5 persons x 50 "retreats" x 3 times a year = 750. $750 \times 30 \text{ days} = 22,500 \div 365 = 61 \text{ census per day.}$

TRANSPORTATION SCHEMENumber of Passengers Traveling - First Year

<u>Type</u>	<u>Average Daily Census</u>	<u>Turn-over Rate</u>	<u>Average Turn-over Per Day</u>	<u>Average Turn-over Per Week</u>
Main Hotel	537	4 (days)	13 1/2	938
Cottage Hotel	140	10 (days)	1 1/2	98
Commercial	50	2 (days)	25	175
Retreat	61	30 (days)	2	1 1/2
Residents	300	150 (days)	2	1 1/2
			177	1,239

METHOD 1

All transportation exclusively by one medium jet between Honolulu and Palmyra

The jet should achieve at least 300 hours utilization per month:

Jet flying time is approximately 5 hours round trip
Twice daily schedule - 10 hours x 30 days = 300 hours

Medium jet -

125 seat configuration x 2 = 250 seats x 30 days ... 7,500 available
Turn-over per day - 177 x 30 days 5,310 utilized
Average load factor 70.8%

Typical daily jet schedule:

a.	Leave Honolulu	0900
	Arrive Palmyra	1130
	Depart Palmyra	1230
	Arrive Honolulu	1500
b.	Leave Honolulu	1700
	Arrive Palmyra	1930
	Leave Palmyra	2030
	Arrive Honolulu	2300

This should be a feasible and profitable operation for one of the three domestic carriers now serving Honolulu with jets, i.e., Pan American, United, Northwest. If South Pacific is also operating jet aircraft by starting date, it could be a significant addition to its operation.

It should only be undertaken by a carrier having jet operation at Honolulu so that back-up aircraft would be available, and also so that the aircraft used between Honolulu and Palmyra could be routed into the system for heavy maintenance at the main base from time to time.

Such an operation would require amendment to any one of the above carrier's operating rights with the possible exception of Pan American. Probably either Pan American or South Pacific could readily obtain an amendment to their South Pacific routes to serve Palmyra. The scope of the operation would far exceed the operating rights of a supplemental. Samoan Airlines might apply for an amendment to permit service to Honolulu limited to service en route to Palmyra. The local Hawaii carriers might apply for extension to their routes.

Either of the latter possibilities would entail considerable effort to obtain CAB approval. Such efforts would probably be vigorously protested by Pan American and South Pacific. In the same category would be effort by any other carrier, or new carrier.

METHOD 2

All transportation exclusively by propeller aircraft between Honolulu and Palmyra

The propeller aircraft should achieve approximately 300 hours utilization per month:

Propeller aircraft flying time is approximately 10 hours round trip.
 Daily schedule - 10 hours x 30 days = 300 hours
 Three aircraft, average 75 seat configuration -
 225 seats x 30 days 6,750 available
 Turn-over per day - 177 x 30 days 5,310 utilized
 Average load factor 80%

Typical daily prop aircraft schedule:

	(1)	(2)	(3)
a. Leave Honolulu	0900		
b. Leave Honolulu		1000	
c. Leave Honolulu			1100
Arrive Palmyra	1400		
Arrive Palmyra		1500	
Arrive Palmyra			1600
Depart Palmyra	1500		
Depart Palmyra		1600	
Depart Palmyra			1700
Arrive Honolulu	2000		
Arrive Honolulu		2100	
Arrive Honolulu			2200

This might be a feasible and profitable schedule for a carrier. This volume of operation would require a fourth back-up aircraft. However, the resulting reduction in utilization would not be a serious factor.

It is doubtful that one of the larger jet carriers would be interested in maintaining a fleet of prop aircraft at Honolulu.

The more likely prospects for such an operator would be South Pacific, Samoan, or one of the Hawaii based carriers. The same problems would exist regarding certificate authority as mentioned in Method 1.

With nothing but prop aircraft transportation, and the longer flying time involved, there might be a restrictive factor on visitors.

METHOD 3

Miscellaneous transportation

Since there will be a large segment of the traffic traveling in plane load group movements, it can be assumed that there will be factors of charter rates and one-plane service that will persist in the moving of most of this traffic on the same aircraft on which they come from the West Coast - principally supplementals. Whether this will be prop aircraft or jet, it is not necessary to define, but it is probable it will be jet by the starting date or soon thereafter. Only the number of flights will be affected according to type of aircraft, not the number of persons traveling by this means.

The remainder of the traffic may travel by many other means. The most likely pattern and reasons for it follow:

TYPE OF TRANSPORT

TRAFFIC PER MONTH

1. Supplemental (or Certificated) Plane Load

Movements - 17 trips per month x 90 pax

1,530

Notes:

- a. Occupancy of the "main" hotel is $13\frac{1}{4} \times 30 = 4,020$, so this represents a little more than one-third "main" hotel clients.
- b. There are four or five supplementals now operating to the limit of their authority (10 trips per month between any pair of points) between both Los Angeles and San Francisco for approximately 8 - 10 flights per week. The majority of these trips carry group movements.
- b. Pan American, United, Northwest, and Canadian Pacific all operate frequent "extra sections" for group movements and block space for large groups on regular schedules.

2. Scheduled Step-over service

Movements - 9 trips per month x 25 pax

225

Notes:

- a. Pan American and South Pacific now both fly near Palmyra en route to Samoa and Tahiti at least twice weekly.
- b. Smaller groups and individuals will be stopping at Palmyra to or from a "Polynesian Triangle" tour or "round-world" tour.
- c. Neither carrier should pass up an opportunity to serve this traffic to supplement its load factor and assist in increasing frequency on these routes.

3. Daily Scheduled Jet Service from Honolulu

Movements - 60 trips per month x 125

7,500

Remaining traffic 3,555

Resulting load factor 46.6%

Notes:

- a. This load factor is uneconomic so unless the jet offered "economy" fares somewhat equal to plane-load charters and thus captured some of "1" above, it would be necessary to schedule fewer trips. Fewer trips would not jeopardize the service as it would still be daily frequency or more.
- b. The jet utilization to carry 3,555 per month at reasonable load factors would not be sufficient utilization at reasonable fares, so it would have to be supplemented with other operations. This means it would more likely be best performed by a Pan American, United, Northwest or South Pacific-type carrier.

4. Surface Service from Honolulu

Movements - 3 trips per month x 20

60

Notes:

There are indications that one or more motor-sailing vessels could operate profitably transporting leisurely, luxury parties.

5. Other Surface

A flow of charter fishing boats, private yachts, etc., is expected, but the number traveling by this means is probably insignificant.

PRESENT FARES-SCHEDULED

<u>CARRIER</u>	<u>BETWEEN</u>	<u>FIRST CLASS</u>	<u>CENTS PER MILE</u>	<u>TOURIST</u>	<u>CENTS PER MILE</u>
TEAL	Nandi/Papeete	220.10 396.20		177.00 318.70	
TEAL	Nandi/Tafuna	72.80 131.10		51.00 91.00	
TEAL	Tafuna/Papeete	220.10 396.30		177.00 318.70	
PANAM	Honolulu/Tafuna	171.00 342.00	.0658	149.00 298.00	.0573
PANAM	Los Angeles/Tafuna	287.00 574.00		248.00 496.00	
SPAL	Honolulu/Papeete	390.00 702.00	.144	286.00 514.80	.106
TAI	Los Angeles/Papeete	568.00 1,022.40		419.00 754.20	
TAI	Honolulu/Papeete	390.00 702.00		286.00 514.80	

CHARTER

<u>CARRIER</u>	<u>ROUTE/MILES</u>	<u>Config.</u>	<u>Rate</u>	<u>Total</u>	<u>O/W 100% Per Pax</u>	<u>Cents per Mile</u>
SPAL 749	Honolulu/Palmyra - 1120	75	2.75	3080.00	41.07	.037
WOA, TIA, ETC., 1049	Honolulu/Palmyra - 1120	100	3.30	3696.00	36.96	.033
DC6	Honolulu/Palmyra - 1120	90	2.95	3304.00	36.60	.0326
? JET	Honolulu/Palmyra - 1120	125	4.50	5040.00	40.32	.036
? JET	Honolulu/Palmyra - 1120	75 (60% LF)	4.50	5040.00	67.20	.060

Fares Derived from Present Rates

		<u>First Class</u>		<u>Tourist</u>	<u>Average or Charter</u>
<u>SCHEDULED</u>					
a.	@ SPAL Rate	(.144)	161.28 322.56	(.106) 118.72 237.44	
b.	@ PANAM Rate	(.0658)	73.70 147.40	(.0573) 64.18 128.36	
c.	@ Jet Rate			(60% LF)	67.20 134.40
<u>CHARTER</u>					
a.	SPAL (100% LF)				41.07 82.14
b.	WOA, TIA, ETC. (100% LF)				37.00 74.00
c.	? - Jet (100% LF)				40.32 80.64

NOTES:

1. SPAL fares excessive because
 - (a) Low volume due limited Tahiti Accom.
 - (b) Hence low utilization of aircraft
 - (c) No other routes
 - (d) Limited payload
 - (e) High overhead
2. All end fares above are gross before agent discounts.

FARES - ANALYSISScheduled

- a. Pan American fare is based on DC-7 fares between Honolulu and Samoa which is a non-competitive, token, subsidized service. However, the rate is still higher than Honolulu/ West Coast jet rate which is approximately .053 tourist.
- b. All factors considered, because of the greater volume (load factor) to Palmyra, better aircraft utilization and competition from charter aircraft, the scheduled fare structure to Palmyra should be approximately the same as the Pan American rate adjusted to jet service.

- c. Therefore, it is assumed that the scheduled fares should be:

<u>F/C</u>	<u>T</u>
90.00	67.50
180.00	135.00

Supplemental Scheduled

- a. Supplemental scheduled fares are based on achieving a very high load factor by attractiveness of lower fares to individuals and groups.
- b. Such fares are generally 75% of scheduled carrier: 50.65
101.30

Charter

- a. Charter computations are based on prop "international" gross rates.
- b. Except for an occasional charter, the vast majority would operate back-to-back. Consequently, ferry cost is not considered.

Prop	37.00
	74.00
Jet	40.00
	80.00

Agent, Economy, Packaged Tour Cost

<u>4-day Tour</u>	<u>SCHEDULED</u>	<u>SUPPLEMENTAL</u>	<u>Jet</u>	<u>Prop</u>
Tourist Air Fare R/T	128.25	96.00	76.00	70.00
less 5% Comm.				
Hotel-American Plan, Dble.				
occupancy, 4 days,				
less 10% Comm.	56.00	56.00	56.00	56.00
Transfers, Tips	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>
Subtotal	189.25	157.00	137.00	131.00
Agent markup to cover				
overhead, no shows,				
etc. (15%)	<u>28.00</u>	<u>23.00</u>	<u>20.00</u>	<u>19.00</u>
Total	217.25	180.00	157.00	148.00
Average per Day	53.00	43.00	39.00	37.00

<u>7-day Tour</u>	<u>SCHEDULED</u>	<u>SUPPLEMENTAL</u>	<u>Jet</u>	<u>Prop</u>
Air Fare R/T				
less 5% Comm.	128.25	96.00	76.00	70.00
Hotel - American Plan, Dble. occupancy, 7 days, less 10% Comm.	98.00	98.00	98.00	98.00
Transfers, Tips	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>
Subtotal	231.25	199.00	179.00	173.00
Agent markup to cover overhead, no shows, etc. (15%)	<u>34.00</u>	<u>30.00</u>	<u>27.00</u>	<u>26.00</u>
Total	265.25	229.00	206.00	199.00
Average per day	37.80	33.00	29.50	28.00

Conclusion

The average cost per day for 4-7 day tours is 50% - 75% higher than the average for 2 week tours to Hawaii (including neighboring islands) due to the following factors:

- a. Slightly higher transportation
- b. Transportation spread over fewer days
- c. Slightly higher hotel rates

The increase for a 4 day tour would affect the usual "3 Island" Hawaii two week tour from the West Coast, approximately as follows:

a. Economy package	\$345.00
Increase to include Palmyra	<u>75.00</u>
Total	\$420.00
("4 Island" Hawaii Tour	\$445.00)
b. Medium Package (Scheduled Carrier)	\$495.00
Increase to include Palmyra	<u>135.00</u>
Total	\$630.00
("4 Island" Hawaii tour	\$675.00)

By reducing somewhat the neighboring island Hawaii part of the tour, Palmyra can be substituted for a total cost less than an all-islands Hawaii tour.

VI

SPENDING HABITS - VISITORS, ETC., IN RESORT AREAS

Ref.: Government of Tahiti Tourist Office 1960 Report

"In 1959 approximately 2300 FRS CFP (\$25.00) a day was spent by each visitor."

Ref.: Research Committee, Hawaii Visitors Bureau, 1960 Annual Research Report

"Visitor expenditures during 1960 rose to \$131,000,000 (as compared with \$109,000,000 in 1959). This rise (20.2%) was not in direct proportion to the increase in visitor arrivals (21.9%), however, because of three gradually changing factors - (1) the decline in the average length of stay per visitor, (2) the rise in the price level (expressed in terms of the cost of goods and services to visitors), and (3) the increase in "package tours."

Ref.: The Future of Tourism in the Pacific and Far East, Vol. I, Checchi and Co.

"When a tourist pays money to a hotel keeper, a restaurant owner, a retailer, or a tour operator, it adds to the sum total of their income (and to the total national income). When they in turn, pay out this money in wages and salaries or for supplies, interest and rent, it further adds to national income. This multiple effect continues, but in a gradually diminishing ratio because, overtime, there is an outflow to other countries in the purchase of foreign goods and services. The extent of this effect varies somewhat from country to country, depending on the extent to which it is dependent on foreign goods and services.

"Because of the multiple effect, every tourist expenditure represents three to five times its value in national income."

The multiple effect at Palmyra would be low, but would exist to some extent in resident workers selling their services and products.

Ref.: HVB 1960 Annual Research Report - Table 17

Expenditures per day by visitors	1-90 days	\$33.75
Expenditures per day by visitors	91-365 days	12.39
Expenditures per day by visitors	destined beyond	22.30

Ref.: Tourism by Island, 1958

Visitor expenditures on the Neighbor Islands, 1956: Average length of stay - 3.2 days. Expenditures on the island (including local prepaid costs excluding inter-island transportation costs) - \$81.00. Average per day - \$25.30.

Ref.: Various Sources, Personal Experiences

Breakdown of average daily expenditure:

<u>Category</u>	<u>Room*</u>	<u>Meals</u>	<u>Bar</u>	<u>Soft Goods</u>	<u>Total</u>
Hotel Visitor	\$ 6.00	\$ 8.00	\$ 4.00	\$ 7.00***	\$ 25.00
Misc. Visitor	5.00	5.50	2.00	3.00***	15.50
Residents	2.50**	2.50	.75	1.00	6.75
Luxury Visitors	15.00**	9.00	8.00	15.00	47.00

* Net after commissions

** Or housing

*** The above figures are probably very conservative. Since the vast majority of visitors would not be in any other duty free area, most would probably spend their limit in duty free purchases - \$100.00 in four days, plus \$10.00 gifts mailed home. Also, since the median length of stay for the majority of visitors would be four days, whereas Hawaii is 13 to 14 days, there would be more concentrated spending on entertainment activities such as boating, fishing, electric cart rentals.